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STAT

Rewald Operation Similar to Nugan Hand Ltd. Case

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Officials involved in the investigation of Ronald Rewald's bankrupt company were struck by the similarities between Rewald's operation and that of Australian financial entrepreneur Frank Nugan.

Like Rewald's, Nugan's empire, built around Nugan Hand Inc., evolved rapidly and established offices around the world. Nugan offered investors high returns on their investments and used former military and CIA officials as corporate officers and consultants.

After the news media began reporting about Rewald's troubled company, he attempted suicide. When Nugan's operation came under the scrutiny of government investigators, Nugan killed himself.

In both cases, hundreds of investors were out millions of dollars.

The natural question for officials in Hawaii investigating Rewald was whether Rewald had any connection with Nugan Hand Ltd., whether he used the Australian company as a model for his operation or whether it was merely a coincidence that Rewald's rise and fall was so similar to Frank Nugan's.

"There are so many parallels, it is difficult to imagine they are just coincidental," said Thomas Hayes, trustee of Rewald's bankrupt company, Bishop, Baldwin, Rewald, Dillingham & Wong.

However, Hayes said he has found no investors or consultants common to both companies.

ALTHOUGH there are individuals who were involved with both Frank Nugan and Ronald Rewald, police and other officials said they know of no direct connection between the two operations.

But because Rewald's rise coincided with the highly publicized fall of Nugan Hand in 1980, some observers believe Rewald's company might have been a "copycat" of Nugan's operation. Although Bishop, Baldwin, Rewald, Dillingham & Wong was formed in 1978, it really began to grow after 1980.

Anthony Granito, head of the police department's white-collar crime unit, said police are aware of the similarities between the two operations, but also have found no direct connection between the two.

But, Granito said, "We are not going to say there is not a connection yet."

The FBI apparently investigated a possible link between the two enterprises. Special agent Howard Dare said the FBI was "aware" of Nugan Hand and "could find no connection between that and Rewald's operation."

Hayes said he got an eerie feeling reading about Nugan Hand Bank and the rest of Nugan's operations because of the similarities to the Rewald case.

To understand Hayes' reaction, one first has to be familiar with Nugan's operation and the parallels to Rewald's company.

Nugan, described as a frenetic young lawyer, formed his bank in 1976 with Michael Jon Hand, a former Green Beret who had handled some CIA operations in Laos after the Vietnam War.

ACCORDING TO news reports in the Wall Street Journal and the National Times, a newspaper in Australia, Hand and Nugan had previously run an investment-type company specializing in real estate speculation and tax shelters.

Rewald chose to start his company with partner Sunlin Wong, an Island real estate promoter. Rewald, too, started his company under a different name, CMI Investments, and later changed it to Bishop, Baldwin, Rewald, Dillingham & Wong.

After opening the bank in the Cayman Islands, Nugan Hand Inc. expanded dramatically, opening offices in Argentina, Chile, Taiwan, Malaysia, Europe, Hong Kong, Hawaii, San Francisco and other points around the world. Rewald opened branches in many of the same locations.

Investors poured millions into Nugan Hand Bank through the 22 offices around the world, based on promised returns of at least 15 percent, much higher than the prevailing rate at the time. Rewald's offer to investors locally was 20 percent.

Nugan Hand collapsed just after it had established an office in Hawaii. When Rewald's company fell, it was in the process of establishing offices in New Zealand and possibly Australia.

Much of Nugan's success was due to the credibility of its officers and consultants, including former high-ranking military officers.

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THESE INCLUDED:

—Adm. Earl P. Yates, former chief war planner and policy maker for the U.S. Pacific Command in Hawaii; who was president of the Cayman Islands bank.

—Retired Army Gen. Ed Black, a Hawaii resident, who was president of Nugan Hand Inc.'s Hawaii office.

—Retired Air Force Gen. Leroy J. Manor, chief of staff for the U.S. Pacific Command, who reportedly ran Nugan Hand's Manila office.

—William Colby, formerly head of the CIA, who worked for Nugan Hand in a variety of positions, including running the Nugan Hand office in Panama.

Gen. Black, when interviewed recently, said he knew of no connection between Nugan Hand and Rewald's company. He said

the Nugan office here never really opened.

He said he had met Rewald several times socially, but never was approached to be a consultant or asked to invest in Rewald's company.

Rewald, however, did court military and CIA officials here. Jack Kindschi, who was head of the CIA office here when Nugan Hand collapsed, eventually became a consultant to Rewald and invested in his company. Gen. Arnold Braswell, the recently retired commander of Pacific Air Forces, was considering joining Rewald's company. Retired Gen. Hunter Harris also had close ties to Rewald and was considering becoming a consultant.

DESPITE THE Nugan Hand's apparent healthy financial appearance, it was only a year after the bank was formed that problems began to develop. Australian police began investigating the possible involvement by Nugan and Hand in heroin trafficking. By 1978, questions about the company's business dealings and financial stability had surfaced. That year Nugan and his brother were charged with fraud concerning the activities of a Nugan-owned corporation.

That spooked investors and by 1979 Nugan was trying frantically to keep the bank and other related companies afloat.

On Jan. 27, 1980, Nugan was found shot to death in his Mercedes on a deserted road outside of Sydney. The death was officially classified a suicide. In his pocket was found the business card of lawyer William Colby. That card focused attention on the possibility that Nugan Hand might have been involved with the CIA.

When Rewald was found near death, in a Waikiki hotel room, his suicide note referred to his alleged service to his country, which led to speculation that he might have been doing some intelligence work.

Events following Nugan's suicide and Rewald's attempted suicide are similar.

Within hours of the discovery of Nugan's body, company insiders began ransacking the offices and hauling off or destroying company files. A similar scene took place in Rewald's office, but the records later were turned over to the court.

THE AUSTRALIAN equivalent of a bankruptcy trustee quickly took over Nugan Hand in an attempt to recover company assets, but it appeared that the investors had been part of a swindle that amounted to some \$50 million. Bishop, Baldwin, Rewald, Dilling-

ham & Wong also was forced into bankruptcy and a trustee was appointed. It was discovered that \$12 million in investors' money was missing.

As the investigation of Nugan Hand intensified after Nugan's death, Michael Hand in late 1980 donned a disguise and slipped out of the country. He has not been seen since.

In contrast, as investigators closed in on Rewald's company, Sunlin Wong, company president resigned and began telling what he knew to a federal grand jury.

Rumors of CIA involvement, drug smuggling and gun running swirled in the wake of Nugan Hand's collapse. But government officials said any possible espionage activities had nothing to do with the apparent swindle of investors.

"If the CIA or any other intelligence organization had intended to use Nugan Hand as a cover for covert operations, it was a clumsy attempt and one would have expected a more professional effort from an intelligence organization," a government report said.

U.S. JUDGE Martin Pence made a somewhat similar remark about Rewald's CIA connections. In issuing a court order sealing some classified documents found in Rewald's files, Pence wrote: "Rewald, through his contacts with members and former members of the CIA, considered himself a more important, undisclosed private associate of the CIA organization than he was in fact. This judge saw nothing in the documents to indicate that any of Rewald's slight involvements with intelligence activities explained any of the financial actions of this company."

Frank Nugan and Ronald Rewald shared a common personality trait other than their desire to run international corporations and associate with powerful people. They also both liked to spend money on themselves.

Nugan was known to spend money "in manic style," according to news reports. He paid \$500,000 to remodel his lavish waterfront home, hauling in sand to make a beach. Shortly before his death, he had arranged to buy a \$2.2 million estate.

According to court testimony, Rewald spent up to \$250,000 a month for his personal expenses, including the upkeep of his many polo ponies, his two ranches and his \$1 million Kulouou home.

THERE IS a big difference between the two men and their operations, however.

Authorities do have Rewald's files and key people in Rewald's operation, such as Wong, are apparently cooperating with investigators. And unlike Nugan, Rewald still is around to talk if he ever wants to.

Because of all this, people will one day learn exactly what it was Rewald's company did and what happened to the millions of dollars invested in it.

Much of Nugan Hand still remains a mystery.